

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Emmett</u>	County Calhoun
Audit Date March 31, 2004	Opinion Date April 29, 2004	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 67 West Michigan Avenue, Suite 500	City Battle Creek	State MI	ZIP 49017
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Emmett Calhoun County, Michigan

**Financial Report
with Additional Information**

March 31, 2004

Charter Township of Emmett

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Charter Township of Emmett

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Independent Auditor's Report

To the Township Board
Charter Township of Emmett
Calhoun County, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Emmett as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Charter Township of Emmett. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group that should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effect on the financial statements of the omission as explained in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Emmett at March 31, 2004, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

April 29, 2004



A worldwide association of independent accounting firms

Charter Township of Emmett

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets			
Cash and cash equivalents (Note 2)	\$ 543,727	\$ 530,365	\$ 171,577
Investments (Note 2)	-	-	488,229
Receivables:			
Taxes	34,439	58,413	-
Customers	-	-	-
Special assessments	4,044	-	303,211
Interest	-	-	20
Other	31,815	-	-
Due from other funds (Note 3)	264,496	12,500	-
Due from other governmental units	21,561	1,950	-
Property and equipment (Note 4)	-	-	-
Restricted assets (Note 1)	-	-	-
Amount available in Special Revenue Fund	-	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
 Total assets	 <u>\$ 900,082</u>	 <u>\$ 603,228</u>	 <u>\$ 963,037</u>

See Notes to Financial Statements.

Combined Balance Sheet - All Fund Types and Account Group
March 31, 2004

Proprietary Fund Types	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
Enterprise	Trust and Agency	General Long-Term Debt	
\$ 993,126	\$ 51,406	\$ -	\$ 2,290,201
-	-	-	488,229
-	-	-	92,852
63,878	-	-	63,878
1,647,336	-	-	1,954,591
-	-	-	20
-	-	-	31,815
-	-	-	276,996
-	-	-	23,511
12,988,733	-	-	12,988,733
10,600	-	-	10,600
-	-	117,520	117,520
-	-	659,828	659,828
-	-	798,629	798,629
<u>\$ 15,703,673</u>	<u>\$ 51,406</u>	<u>\$ 1,575,977</u>	<u>\$ 19,797,403</u>

Charter Township of Emmett

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities and Fund Equity			
Liabilities			
Accrued liabilities	\$ 13,965	\$ 4,011	\$ -
Due to other funds (Note 3)	-	263,997	-
Due to other governmental units	-	611	-
Deferred revenue	6,548	8,146	303,209
Long-term debt (Note 5)	-	-	-
Total liabilities	20,513	276,765	303,209
Fund Equity			
Retained earnings:			
Reserved (Note 6)	-	-	-
Unreserved	-	-	-
Fund balance:			
Reserved (Note 6)	-	207,787	-
Unreserved:			
Designated for debt service	-	-	659,828
Undesignated	879,569	118,676	-
Total fund equity	879,569	326,463	659,828
Total liabilities and fund equity	<u>\$ 900,082</u>	<u>\$ 603,228</u>	<u>\$ 963,037</u>

See Notes to Financial Statements.

Combined Balance Sheet - All Fund Types and Account Group
March 31, 2004

Proprietary Fund Types	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
Enterprise	Trust and Agency	General Long-Term Debt	
\$ 121,563	\$ 19,604	\$ -	\$ 159,143
-	12,999	-	276,996
-	18,803	-	19,414
-	-	-	317,903
<u>3,100,000</u>	<u>-</u>	<u>1,575,977</u>	<u>4,675,977</u>
3,221,563	51,406	1,575,977	5,449,433
166,718	-	-	166,718
12,315,392	-	-	12,315,392
-	-	-	207,787
-	-	-	659,828
<u>-</u>	<u>-</u>	<u>-</u>	<u>998,245</u>
<u>12,482,110</u>	<u>-</u>	<u>-</u>	<u>14,347,970</u>
<u>\$ 15,703,673</u>	<u>\$ 51,406</u>	<u>\$ 1,575,977</u>	<u>\$ 19,797,403</u>

Charter Township of Emmett

Combined Statement of Revenue, Expenditures and Changes in Fund Balances - All Governmental Fund Types Year Ended March 31, 2004

	General Fund	Special Revenue	Debt Service	Total (Memorandum Only)
Revenue				
Taxes	\$ 521,316	\$ 796,301	\$ -	\$ 1,317,617
Special assessments	-	-	87,079	87,079
Licenses and permits	172,786	-	-	172,786
Federal sources	-	1,783	-	1,783
State sources	938,845	-	-	938,845
Charges for services	53,825	3,743	-	57,568
Fines and forfeitures	8,388	49,664	-	58,052
Lien payoff	-	13,326	-	13,326
Interest earned	7,775	1,152	41,400	50,327
Miscellaneous	321	3,523	-	3,844
Total revenue	1,703,256	869,492	128,479	2,701,227
Expenditures				
General government	445,428	-	-	445,428
Public safety and services	190,992	1,688,730	-	1,879,722
Roads, highways and street lights	127,797	-	-	127,797
Cemetery	28,363	-	-	28,363
Other	57,627	61,708	1,075	120,410
Debt service:				
Principal	-	-	125,000	125,000
Interest	-	-	91,939	91,939
Total expenditures	850,207	1,750,438	218,014	2,818,659
Excess (Deficiency) of Revenue Over Expenditures	853,049	(880,946)	(89,535)	(117,432)
Other Financing Sources (Uses)				
Operating transfers in	33,000	868,004	58,906	959,910
Operating transfers out	(868,004)	(58,906)	-	(926,910)
Total other financing sources (uses)	(835,004)	809,098	58,906	33,000
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	18,045	(71,848)	(30,629)	(84,432)
Fund Balances - Beginning of year	861,524	398,311	690,457	1,950,292
Fund Balances - End of year	<u>\$ 879,569</u>	<u>\$ 326,463</u>	<u>\$ 659,828</u>	<u>\$ 1,865,860</u>

See Notes to Financial Statements.

Charter Township of Emmett

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Taxes	\$ 521,533	\$ 521,316	\$ (217)	\$ 804,306	\$ 796,301	\$ (8,005)
Special assessments	-	-	-	-	-	-
Licenses and permits	172,786	172,786	-	-	-	-
Federal sources	-	-	-	-	1,783	1,783
State sources	931,602	938,845	7,243	-	-	-
Charges for services	58,595	53,825	(4,770)	3,744	3,743	(1)
Fines and forfeitures	8,388	8,388	-	49,664	49,664	-
Lien payoff	-	-	-	6,000	13,326	7,326
Interest earned	4,815	7,775	2,960	2,074	1,152	(922)
Miscellaneous	321	321	-	8,964	3,523	(5,441)
Total revenue	1,698,040	1,703,256	5,216	874,752	869,492	(5,260)
Expenditures						
General government	442,181	445,428	(3,247)	-	-	-
Public safety and services	190,992	190,992	-	1,689,330	1,688,730	600
Roads, highways and street lights	127,797	127,797	-	-	-	-
Cemetery	28,363	28,363	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	58,911	57,627	1,284	95,576	61,708	33,868
Total expenditures	848,244	850,207	(1,963)	1,784,906	1,750,438	34,468
Excess (Deficiency) of Revenue Over Expenditures	849,796	853,049	3,253	(910,154)	(880,946)	29,208
Other Financing Sources (Uses)						
Operating transfers in	33,000	33,000	-	868,004	868,004	-
Operating transfers out	(868,004)	(868,004)	-	(58,906)	(58,906)	-
Total other financing sources (uses)	(835,004)	(835,004)	-	809,098	809,098	-
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	14,792	18,045	3,253	(101,056)	(71,848)	29,208
Fund Balances - Beginning of year	861,524	861,524	-	398,311	398,311	-
Fund Balances - End of year	\$ 876,316	\$ 879,569	\$ 3,253	\$ 297,255	\$ 326,463	\$ 29,208

See Notes to Financial Statements.

**Combined Statement of Revenue, Expenditures and
Changes in Fund Balances - Budget and Actual
General, Special Revenue and Debt Service Funds
Year Ended March 31, 2004**

Debt Service Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
115,000	87,079	(27,921)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
75,950	41,400	(34,550)
-	-	-
190,950	128,479	(62,471)
-	-	-
-	-	-
-	-	-
-	-	-
125,000	125,000	-
105,256	91,939	13,317
500	1,075	(575)
230,756	218,014	12,742
(39,806)	(89,535)	(49,729)
58,906	58,906	-
-	-	-
58,906	58,906	-
19,100	(30,629)	(49,729)
690,457	690,457	-
\$ 709,557	\$ 659,828	\$ (49,729)

Charter Township of Emmett

Statement of Revenue, Expenses and Changes in Retained Earnings - Proprietary Fund Type Year Ended March 31, 2004

Operating Revenue	
Charges for services	\$ 597,496
Operating Expenses	<u>1,050,413</u>
Operating Loss	(452,917)
Nonoperating Revenue (Expense)	
Interest income	104,884
Interest expense	<u>(169,658)</u>
Total nonoperating revenue (expense)	(64,774)
Contributions	<u>318,259</u>
Deficiency of Revenue over Expenditures	(199,432)
Operating Transfers Out	<u>(33,000)</u>
Net Loss	(232,432)
Retained Earnings - Beginning of year	<u>12,547,824</u>
Retained Earnings - End of year	<u>\$ 12,315,392</u>

Charter Township of Emmett

Statement of Cash Flows Proprietary Fund Type Year Ended March 31, 2004

Cash Flows from Operating Activities

Cash received from customers	\$ 596,807
Cash payments to suppliers for goods and services	(599,293)
Cash payments to employees for services	<u>(30,398)</u>
Net cash used in operating activities	(32,884)

Cash Flows from Noncapital Financing Activities

Payments from other funds	100,402
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Cash Flows from Capital and Related Financing Activities

Collection of customer assessments (principal and interest)	306,250
Payments made on long-term debt (principal and interest)	<u>(269,658)</u>
Net cash provided by capital and related financing activities	36,592

Cash Flows from Investing Activities

Interest received	<u>4,744</u>
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Net Increase in Cash and Cash Equivalents 108,854

Cash and Cash Equivalents - Beginning of year 884,272

Cash and Cash Equivalents - End of year \$ 993,126

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (452,917)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	421,515
Changes in assets and liabilities:	
Customer receivables	(689)
Accrued liabilities	<u>(793)</u>
Net cash used in operating activities	<u><u>\$ (32,884)</u></u>

Noncash Investing, Capital and Financing Activities

During the year ended March 31, 2004, the Township financed the construction of \$318,183 of water and sewer mains that were financed by special assessments to the residents.

Charter Township of Emmett

Notes to Financial Statements March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units, except that a General Fixed Asset Account Group is not maintained. The following is a summary of the significant accounting policies:

Reporting Entity - The Charter Township is governed by an elected seven-member Board of Trustees. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

Fund Accounting - The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Debt Service Funds - Debt Service Funds are used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operations of an enterprise fund.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for the results of operations that provide a service to Township residents that is financed primarily by a user charge for the provision of that service. The Water and Sewer Operations Fund has been treated as an Enterprise Fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for other funds and other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting - The accrual basis of accounting is used by the Enterprise Fund. All governmental funds and Agency Funds utilize the modified-accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when they become measurable. Other revenue is recorded when received.

Properties are assessed as of December 31. The tax billings become a lien and are mailed on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year-end.
- c. Interest income on special assessments receivable is not accrued until its due date.
- d. Interest on bonded indebtedness is not recorded as an expenditure until its due date.
- e. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- f. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fixed Assets and Long-term Liabilities

Fixed asset purchases of the governmental funds are recorded as expenditures at the time of purchase and no General Fixed Assets Account Group is maintained.

All fixed assets recorded in the proprietary fund are valued at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Long-term Debt Account Group is not a fund and does not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the proprietary fund are accounted for in this fund. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary fund on a straight-line basis.

Cash Equivalents - For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are recorded at fair value based on quoted market prices.

Restricted Assets - Specific assets of the Enterprise Fund have been restricted by provisions of contracts with Calhoun County. These funds are the remaining proceeds and interest earnings from the Calhoun County Water Supply and Sewage Disposal System bonds held by the County for completion of the project.

Memorandum Only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to the financial statements.

Charter Township of Emmett

Notes to Financial Statements March 31, 2004

Note 2 - Deposits and Investments

The Township's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 2,290,201
Investments	<u>488,229</u>
Totals	<u>\$ 2,778,430</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 2,256,402
Investments in U.S. government securities and money market funds	521,578
Petty cash and cash on hand	<u>450</u>
Totals	<u>\$ 2,778,430</u>

Deposits - The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$2,378,000. Of that amount, approximately \$100,000 was covered by federal depository or federal savings and loan insurance and approximately \$2,278,000 was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits Township funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles. To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Fund investment earnings are allocated to the General Fund.

Charter Township of Emmett

Notes to Financial Statements March 31, 2004

Note 2 - Deposits and Investments (Continued)

The Charter Township's investments are categorized below to give an indication of the level of risk assumed by the entity at March 31, 2004. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Charter Township or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Charter Township's name. Category 3 includes investments held by:

- a. The counterparty or
- b. The counterparty's trust department (or agent) but not in the Charter Township's name

	Category			Carrying Amount
	1	2	3	
U.S. government securities	<u>\$ 488,229</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 488,229
Money market funds				<u>33,349</u>
Total investments				<u>\$ 521,578</u>

The money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The money market funds are registered with the SEC.

Charter Township of Emmett

Notes to Financial Statements March 31, 2004

Note 3 - Interfund Receivables

The following are the interfund receivables at March 31, 2004:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Fiduciary Fund-Tax Collection	\$ 499
	Special Revenue Fund-Public Safety	<u>263,997</u>
Total general fund		264,496
Special Revenue Fund-Public Safety	Fiduciary Fund-Tax Collection	<u>12,500</u>
Total interfund receivables		<u><u>\$ 276,996</u></u>

Note 4 - Property and Equipment - Proprietary Fund Types

Principal categories of property and equipment may be summarized as follows:

		<u>Depreciable Life-Years</u>
Water and sewer systems	\$ 21,075,730	50
Furniture and fixtures	<u>45,283</u>	10
Total	21,121,013	
Less: Accumulated depreciation	<u>8,132,280</u>	
Undepreciated cost	<u><u>\$ 12,988,733</u></u>	

Depreciation expense for the year ended March 31, 2004 totaled approximately \$421,500.

Charter Township of Emmett

Notes to Financial Statements March 31, 2004

Note 5 - Long-term Debt

Interest - Interest expense for the year ended March 31, 2004 amounted to approximately \$92,000 in the Debt Service Funds and approximately \$170,000 in the Proprietary Fund.

Outstanding Debt - General long-term debt is comprised of the following obligations:

General Long-Term Debt Account Group:

\$1,720,000 Sanitary Sewer Refunding bond issue dated June 1, 1993, due in annual installments ranging from \$50,000 to \$115,000, plus interest ranging from 5.5% to 5.75% through November 1, 2018	\$ 1,220,000
\$420,000 Special Assessment Long-term General Obligation Bonds dated September 1, 1995, due in annual installments ranging from \$25,000 to \$40,000, plus interest ranging from 5.25% to 6.0% through August 1, 2010	240,000
\$500,000 Purchase Obligation Agreement dated January 5, 1996, due in annual installments of \$50,000, plus interest at 5.84% through March 31, 2006	100,000
\$15,977 Purchase Installment Plan, dated November 20, 2003, due in annual installments of \$6,000, including interest at 6.2% through November 2006	15,977
Total General Long-term Debt Account Group	1,575,977

Proprietary Fund Debt - Enterprise Fund:

\$3,265,000 Southwest Calhoun County Special Assessment Sanitary Bonds dated July 1, 2000, due in annual installments ranging from \$150,000 to \$200,000, plus interest ranging from 4.75% to 6.75% through May 1, 2021	3,100,000
Total long-term debt	\$ 4,675,977

Interest on bonds is payable semi-annually. Interest on the municipal purchase obligation is due annually.

The special assessment bonds and refunding bonds represent the financing of public improvements that benefit specific districts. These districts are specially assessed, at least in part, for the cost of the improvements. At March 31, 2004, the Township has \$659,828 available in the Debt Service Fund and \$1,999,372 available in the Proprietary Fund for the repayment of these bonds. In addition, there is \$303,211 of deferred revenue, which will be recognized as revenue in debt service funds in the future. The amount of delinquent receivables related to the special assessments is insignificant.

Charter Township of Emmett

Notes to Financial Statements March 31, 2004

Note 5 - Long-term Debt (Continued)

The refunding bonds are currently being retired by special assessment and connection fee levies. The amount of the refunding bonds to be retired by such levies is uncertain. It is anticipated that the refunding bond issue may in part be retired by excess revenue in the Water and Sewer Operations Fund. Should the special assessment levies and sanitation collection revenue prove insufficient, the Township is empowered to levy taxes for repayment of this debt.

Debt Service Requirements - The annual requirements to service all debt outstanding as of March 31, 2004, including both principal and interest, are as follows:

2005	\$ 534,861
2006	517,468
2007	460,031
2008	443,624
2009	438,038
Remaining years	<u>4,437,048</u>
Total	<u>\$ 6,831,070</u>

Changes in Long-term Debt - The following is a summary of debt transactions of the Township for the year ended March 31, 2004:

	Refunding Bonds	Special Assessment Bonds	Purchase Obligation Agreement	Total
Balance - Beginning of year	\$ 1,270,000	\$ 3,465,000	\$ 150,000	\$ 4,885,000
Debt proceeds	-	-	21,977	21,977
Debt retired	<u>(50,000)</u>	<u>(125,000)</u>	<u>(56,000)</u>	<u>(231,000)</u>
Balance - End of year	<u>\$ 1,220,000</u>	<u>\$ 3,340,000</u>	<u>\$ 115,977</u>	<u>\$ 4,675,977</u>

Charter Township of Emmett

Notes to Financial Statements March 31, 2004

Note 6 - Reserved Retained Earnings/Fund Balance

The Township has reserved retained earnings of the Enterprise Fund in order to establish a capital replacement and restoration reserve. In addition, fund balance of the Special Revenue Fund - HUD Block Grant is reserved for future assistance to low income recipients to pay their special assessments. The fund balance of the Special Revenue Fund - Fire Truck Fund is reserved for debt service.

Changes in the reserves for the HUD Block Grant Fund, Fire Truck Fund and the Enterprise Fund are summarized as follows:

	Special Revenue Funds			Enterprise Fund
	HUD Block Grant	Fire Truck Fund	Total	
Balance - Beginning of year	\$ 78,788	\$ 179,200	\$ 257,988	\$ 166,718
Debt payments	-	(61,680)	(61,680)	-
Excess of revenue over expenditures	<u>11,479</u>	<u>-</u>	<u>11,479</u>	<u>-</u>
Balance - End of year	<u>\$ 90,267</u>	<u>\$ 117,520</u>	<u>\$ 207,787</u>	<u>\$ 166,718</u>

Note 7 - Budget Information

The annual budget is prepared by the Township Management and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

The budget statement (combined statement of revenue, expenditures and changes in fund balances - budget and actual – general, special revenue and debt service funds) is presented on the same basis of accounting used in preparing the adopted budget.

The budget is adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budgets as adopted by the Township Board is included in the general purpose financial statements. A comparison of the Special Revenue Funds and Debt Service Funds budgets as adopted by the Township Board is included in the additional information.

Note 8 - Retirement Plans

Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time non-union employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to join the plan on January 1 of each year. As established by the Township Board, the Township contributes up to a 5 percent match of employees' gross earnings and employees contribute to the plan to the extent they wish to defer compensation. In accordance with these requirements, the Township contributed approximately \$7,800 and employee contributions were approximately \$6,600.

Defined Benefit Retirement Plan

Plan Description - The Charter Township participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Township. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's competitive bargaining unit and required a contribution from the Township of 6.27 percent of gross wages for police and 7.89 percent of gross wages for all other participants. The employees are required to contribute the percentage difference between the employer maximum contribution and the percentage necessary to fund the MMERS plan. This was 3.80% for police and 8.72% for all other participants for the year ended March 31, 2004.

Note 8 - Retirement Plans (Continued)

Annual Pension Cost - For the year ended March 31, 2004, the Township's annual pension cost of approximately \$102,000 (\$59,000 employer and \$43,000 employee) for the plan was equal to the Township's required and actual contribution determined through an actuarial valuation performed at December 31, 2001. Significant actuarial assumptions used to compute preliminary contribution requirements were based on "medium" tables approved by the MMERS Board in April 1994.

The annual required contribution for the year ended March 31, 2004 was determined as part of an actuarial valuation at December 31, 2001 using the entry actual age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return assuming 4.5 percent per year of inflation, (b) projected salary increase of 4.5 percent per year based on inflation and (c) additional projected salary increases of 0 to 4.2 percent per year, based on an age-related scale to reflect merit, longevity and promotional increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

The Township became a member of MMERS beginning October 1, 1996.

	Fiscal Year Ended March 31		
	2004	2003	2002
Annual pension cost	\$ 59,096	\$ 46,232	\$ 39,486
Percentage of APC contributed	100%	100%	100%

	Actuarial Valuation as of December 31		
	2002	2001	2000
Actuarial value of assets	\$ 1,216,528	\$ 1,075,251	\$ 905,174
Actuarial Accrued Liability (entry age)	\$ 1,435,075	\$ 1,218,290	\$ 1,064,332
Unfunded AAL	\$ 218,547	\$ 143,039	\$ 159,158
Funded ratio	85.00%	88.26%	85.05%
Covered payroll	\$ 868,363	\$ 836,052	\$ 789,730
UAAL as a percentage of covered payroll	25.17%	17.11%	20.15%

Charter Township of Emmett

Notes to Financial Statements March 31, 2004

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits and workers' compensation claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 10 - Construction Code Fees

The Township of Emmett oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with building codes. The Township of Emmett charges fees for these services. Beginning January 1, 2000, the law requires the collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

Net deficit at April 1, 2003	\$ (153,102)
Construction code permit revenue	151,796
Direct costs	99,888
Indirect costs	<u>30,261</u>
Total expenses	<u>130,149</u>
Net deficit	<u><u>\$ (131,455)</u></u>

Note 11 - Subsequent Event

During April 2004, the Township agreed to purchase three patrol cars through a purchase installment plan. The total purchase price will be approximately \$82,000 including interest.

Additional Information



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To the Township Board
Charter Township of Emmett
Calhoun County, Michigan

We have audited the general purpose financial statements of the Charter Township of Emmett for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Charter Township of Emmett. This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

April 29, 2004

Charter Township of Emmett

General Fund Schedule of Revenue - Budget and Actual Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
Taxes			
Operating	\$ 241,301	\$ 234,061	\$ (7,240)
Street lights	120,452	118,256	(2,196)
Trailer fees	2,248	2,248	-
Current road assessments	-	12,077	12,077
Administration fees	153,532	147,783	(5,749)
Penalties and miscellaneous	4,000	6,891	2,891
Total taxes	521,533	521,316	(217)
License and Permits			
Registration fees	1,407	1,407	-
Building permits	103,428	103,428	-
Electrical permits	17,355	17,355	-
Plumbing permits	13,765	13,765	-
Mechanical permits	17,249	17,249	-
Zoning and planning	11,500	11,500	-
Junk yard and licenses	1,652	1,652	-
Plan review fees	4,420	4,420	-
Land division fees	2,010	2,010	-
Total licenses and permits	172,786	172,786	-
State Sources			
Unrestricted	931,602	938,845	7,243
Charges for Services			
Printed materials	1,127	1,127	-
Cemetery lots/open close/foundations	8,113	8,113	-
Rebate - summer taxes	11,600	11,625	25
Cable TV - franchise	37,755	32,960	(4,795)
Total charges for services	58,595	53,825	(4,770)
Fines and Forfeitures			
Ordinance fines from County	8,388	8,388	-
Interest Earned	4,815	7,775	2,960
Miscellaneous	321	321	-
Total revenue	<u>\$ 1,698,040</u>	<u>\$ 1,703,256</u>	<u>\$ 5,216</u>

Charter Township of Emmett

General Fund Schedule of Expenditures - Budget and Actual Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
General Government			
Township Board			
Salaries	\$ 8,960	\$ 8,960	\$ -
Conferences and related expenses	30	30	-
Professional fees	15,195	15,195	-
Board of review	1,025	1,025	-
Advertising and publishing	5,483	5,483	-
Office supplies	251	251	-
Dues and memberships	4,212	4,212	-
Miscellaneous	223	530	(307)
Capital outlay	3,924	3,924	-
Group insurance	217	217	-
Social Security	764	764	-
Total Township Board	40,284	40,591	(307)
Assessing			
Salaries	83,698	83,698	-
Office supplies	1,258	1,258	-
Social Security	6,368	6,368	-
Group insurance	20,221	20,221	-
Dues and memberships	255	255	-
Miscellaneous	2,974	2,974	-
Conferences	864	864	-
Capital outlay	3,602	3,603	(1)
Professional fees	1,164	1,164	-
Total Assessing	120,404	120,405	(1)

Charter Township of Emmett

General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
General Government - Continued			
Supervisor			
Salaries	37,855	37,855	-
Office supplies	179	179	-
Conferences and related expenses	130	130	-
Communications	747	747	-
Transportation	818	818	-
Social Security	2,802	2,802	-
Group insurance	14,294	14,293	1
Total Supervisor	56,825	56,824	1
Treasurer			
Salaries	46,006	46,006	-
Computer maintenance	845	845	-
Office supplies	584	584	-
Transportation	288	288	-
Conferences and related expenses	468	468	-
Social Security	3,520	3,520	-
Capital outlay	1,574	1,574	-
Group insurance	11,994	11,994	-
Total Treasurer	65,279	65,279	-
Building Authority			
Supplies	3,525	3,525	-
Telephone	3,671	3,671	-
Postage	4,599	5,877	(1,278)
Building and equipment maintenance	18,560	18,561	(1)
Electricity	2,629	2,629	-
Heat	1,979	1,979	-
Water and sewer	713	713	-
Refuse service	744	744	-
Total Building Authority	36,420	37,699	(1,279)

Charter Township of Emmett

General Fund Schedule of Expenditures – Budget and Actual (Continued) Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
General Government - Continued			
Elections			
Salaries	10,879	10,879	-
Social Security	832	832	-
Office supplies	2,065	2,065	-
Miscellaneous	750	750	-
Total Elections	14,526	14,526	-
Clerk			
Salaries	61,749	61,749	-
Capital outlay	2,034	2,034	-
Office supplies	594	594	-
Conferences	1,396	1,396	-
Dues and memberships	295	295	-
Social Security	4,488	4,488	-
Group insurance	25,276	25,276	-
Miscellaneous	1,312	1,312	-
Total Clerk	97,144	97,144	-
Planning Commission			
Salaries	2,840	2,840	-
Zoning board expenses	2,340	2,340	-
Supplies	341	341	-
Social Security	365	365	-
Printing and publishing	(2,304)	896	(3,200)
Conferences	440	440	-
Total Planning Commission	4,022	7,222	(3,200)

Charter Township of Emmett

General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
General Government - Continued			
Data Processing			
Outside services	5,463	5,463	-
Capital outlay	275	275	-
Communications	1,539	-	1,539
Total Data Processing	7,277	5,738	1,539
Total General Government	442,181	445,428	(3,247)
Public Services			
Salaries	40,425	40,425	-
Building and zoning inspector	71,963	71,963	-
Electrical and mechanical inspector	23,261	23,261	-
Plumbing inspector	10,935	10,935	-
Office supplies	2,497	2,497	-
Communications	3,117	3,117	-
Conferences and related expenses	200	200	-
Dues and memberships	120	120	-
Transportation	5	5	-
Legal	3,839	3,839	-
Social Security	11,046	11,046	-
Group insurance	12,820	12,820	-
Equipment maintenance	407	407	-
Printing and publishing	36	36	-
Outside services	10,321	10,321	-
Total Public Services	190,992	190,992	-
Roads, Highways and Street Lights			
Street lights	115,719	115,719	-
Street improvements	12,078	12,078	-
Total Roads, Highways and Street Lights	127,797	127,797	-

Charter Township of Emmett

General Fund Schedule of Expenditures - Budget and Actual (Continued) Year Ended March 31, 2004

	Budget*	Actual	Variance Favorable (Unfavorable)
Cemetery			
Maintenance	25,017	25,017	-
Grave openings	3,320	3,320	-
Transportation	26	26	-
Total Cemetery	28,363	28,363	-
Other Expenditures			
Retirement pension	21,973	21,973	-
Insurance	35,352	33,870	1,482
Miscellaneous	1,586	1,784	(198)
Total Other	58,911	57,627	1,284
Total Expenditures	<u>\$ 848,244</u>	<u>\$ 850,207</u>	<u>\$ (1,963)</u>

* The Township's budget was adopted on an activity basis as presented in the combined statement of revenue, expenditures and changes in fund balances - budget and actual - general fund. Information on this schedule is presented for purposes of additional analysis. The Township's budget was amended after year-end.

Charter Township of Emmett

Special Revenue Funds Combining Balance Sheet March 31, 2004

	HUD Block Grant	Public Safety Fund	Fire Truck Fund	Total
Assets				
Cash and cash equivalents	\$ 90,267	\$ 222,712	\$ 217,386	\$ 530,365
Receivables:				
Taxes	-	49,454	8,959	58,413
Due from other funds	-	12,500	-	12,500
Due from other governmental units	-	1,950	-	1,950
	<u>-</u>	<u>1,950</u>	<u>-</u>	<u>1,950</u>
Total assets	<u>\$ 90,267</u>	<u>\$ 286,616</u>	<u>\$ 226,345</u>	<u>\$ 603,228</u>
Liabilities and Fund Balances				
Liabilities				
Accrued liabilities	\$ -	\$ 4,011	\$ -	\$ 4,011
Deferred revenue	-	8,146	-	8,146
Due to other funds	-	263,997	-	263,997
Due to other governmental units	-	-	611	611
	<u>-</u>	<u>-</u>	<u>611</u>	<u>611</u>
Total liabilities	-	276,154	611	276,765
Fund Balances				
Reserve for welfare payments for sewer assessments	90,267	-	-	90,267
Reserve for debt service	-	-	117,520	117,520
Unreserved - Undesignated	-	10,462	108,214	118,676
	<u>-</u>	<u>10,462</u>	<u>108,214</u>	<u>118,676</u>
Total fund balances	<u>90,267</u>	<u>10,462</u>	<u>225,734</u>	<u>326,463</u>
Total liabilities and fund balances	<u>\$ 90,267</u>	<u>\$ 286,616</u>	<u>\$ 226,345</u>	<u>\$ 603,228</u>

Charter Township of Emmett

Special Revenue Funds Combining Schedule of Revenue, Expenditures and Changes in Fund Balances Year Ended March 31, 2004

	HUD Block Grant	Public Safety Fund	Fire Truck Fund	Total
Revenue				
Taxes	\$ -	\$ 665,957	\$ 130,344	\$ 796,301
Fines and forfeitures	-	49,664	-	49,664
Charges for services	-	3,743	-	3,743
Federal sources	-	1,783	-	1,783
Lien payoff	13,326	-	-	13,326
Interest earned	285	(207)	1,074	1,152
Miscellaneous	-	3,523	-	3,523
Total revenue	13,611	724,463	131,418	869,492
Expenditures				
Public safety and services	-	1,688,730	-	1,688,730
Other	2,132	-	59,576	61,708
Total expenditures	2,132	1,688,730	59,576	1,750,438
Excess (Deficiency) of Revenue Over Expenditures	11,479	(964,267)	71,842	(880,946)
Other Financing Sources (Uses)				
Operating transfers in	-	868,004	-	868,004
Operating transfers out	-	-	(58,906)	(58,906)
Total other financing sources (uses)	-	868,004	(58,906)	809,098
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	11,479	(96,263)	12,936	(71,848)
Fund Balances - Beginning of year	78,788	106,725	212,798	398,311
Fund Balances - End of year	<u>\$ 90,267</u>	<u>\$ 10,462</u>	<u>\$ 225,734</u>	<u>\$ 326,463</u>

Charter Township of Emmett

	HUD Block Grant			Public Safety Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ 682,094	\$ 665,957	\$ (16,137)
Fines and forfeitures	-	-	-	49,664	49,664	-
Charges for services	-	-	-	3,744	3,743	(1)
Federal sources	-	-	-	-	1,783	1,783
Lien payoff	6,000	13,326	7,326	-	-	-
Interest earned	1,000	285	(715)	-	(207)	(207)
Miscellaneous	-	-	-	8,964	3,523	(5,441)
Total revenue	7,000	13,611	6,611	744,466	724,463	(20,003)
Expenditures						
Utilities	-	-	-	12,359	12,359	-
Insurance	-	-	-	100,599	100,599	-
Salaries	-	-	-	867,656	867,056	600
Operating supplies	-	-	-	7,501	7,501	-
Office supplies	-	-	-	6,433	6,433	-
Uniforms, accessories and cleaning	-	-	-	21,180	21,180	-
Holiday pay	-	-	-	27,595	27,595	-
Equipment maintenance and rental	-	-	-	51,232	51,232	-
Transportation	-	-	-	30,367	30,367	-
Conferences and related expenses	-	-	-	9,607	9,607	-
Legal	-	-	-	48,443	48,443	-
Miscellaneous	-	-	-	12,222	12,222	-
Capital outlay	-	-	-	103,384	103,384	-
Social Security	-	-	-	68,285	68,285	-
Group insurance, physicals and pensions	-	-	-	219,411	219,411	-
M.A.P.E.S.	-	-	-	103,056	103,056	-
New liens	6,000	2,132	3,868	-	-	-
Total expenditures	6,000	2,132	3,868	1,689,330	1,688,730	600
Excess (Deficiency) of Revenue Over Expenditures	1,000	11,479	10,479	(944,864)	(964,267)	(19,403)
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	868,004	868,004	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	868,004	868,004	-
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	1,000	11,479	10,479	(76,860)	(96,263)	(19,403)
Fund Balances - Beginning of year	78,788	78,788	-	106,725	106,725	-
Fund Balances - End of year	<u>\$ 79,788</u>	<u>\$ 90,267</u>	<u>\$ 10,479</u>	<u>\$ 29,865</u>	<u>\$ 10,462</u>	<u>\$ (19,403)</u>

Special Revenue Funds
Combining Schedule of Revenue, Expenditures
and Changes in Fund Balances - Budget and Actual
Year Ended March 31, 2004

Fire Truck Fund			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 122,212	\$ 130,344	\$ 8,132	\$ 804,306	\$ 796,301	\$ (8,005)
-	-	-	49,664	49,664	-
-	-	-	3,744	3,743	(1)
-	-	-	-	1,783	1,783
-	-	-	6,000	13,326	7,326
1,074	1,074	-	2,074	1,152	(922)
-	-	-	8,964	3,523	(5,441)
123,286	131,418	8,132	874,752	869,492	(5,260)
-	-	-	12,359	12,359	-
-	-	-	100,599	100,599	-
-	-	-	867,656	867,056	600
-	-	-	7,501	7,501	-
-	-	-	6,433	6,433	-
-	-	-	21,180	21,180	-
-	-	-	27,595	27,595	-
-	-	-	51,232	51,232	-
29,932	29,932	-	60,299	60,299	-
-	-	-	9,607	9,607	-
-	-	-	48,443	48,443	-
-	-	-	12,222	12,222	-
59,644	29,644	30,000	163,028	133,028	30,000
-	-	-	68,285	68,285	-
-	-	-	219,411	219,411	-
-	-	-	103,056	103,056	-
-	-	-	6,000	2,132	3,868
89,576	59,576	30,000	1,784,906	1,750,438	34,468
33,710	71,842	38,132	(910,154)	(880,946)	29,208
-	-	-	868,004	868,004	-
(58,906)	(58,906)	-	(58,906)	(58,906)	-
(58,906)	(58,906)	-	809,098	809,098	-
(25,196)	12,936	38,132	(101,056)	(71,848)	29,208
212,798	212,798	-	398,311	398,311	-
\$ 187,602	\$ 225,734	\$ 38,132	\$ 297,255	\$ 326,463	\$ 29,208

Charter Township of Emmett

Debt Service Funds Combining Balance Sheet March 31, 2004

	<u>Project #5</u>	<u>Bradford Water</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 94,075	\$ 77,502	\$ 171,577
Investments	488,229	-	488,229
Receivables:			
Special assessments	187,402	115,809	303,211
Interest	<u>20</u>	<u>-</u>	<u>20</u>
Total assets	<u>\$ 769,726</u>	<u>\$ 193,311</u>	<u>\$ 963,037</u>
Liabilities and Fund Balances			
Liabilities			
Deferred revenue	\$ 187,401	\$ 115,808	\$ 303,209
Fund Balances			
Designated	<u>582,325</u>	<u>77,503</u>	<u>659,828</u>
Total liabilities and fund balances	<u>\$ 769,726</u>	<u>\$ 193,311</u>	<u>\$ 963,037</u>

Charter Township of Emmett

Debt Service Funds Combining Schedule of Revenue, Expenditures and Changes in Fund Balances Year Ended March 31, 2004

	Project #5	Fire Truck	Bradford Water	Total
Revenue				
Special assessments	\$ 62,153	\$ -	\$ 24,926	\$ 87,079
Interest earned	31,124	-	10,276	41,400
Total revenue	93,277	-	35,202	128,479
Expenditures				
Debt service	50,000	50,000	25,000	125,000
Interest	68,750	8,906	14,283	91,939
Other	675	-	400	1,075
Total expenditures	119,425	58,906	39,683	218,014
Excess (Deficiency) of Revenue Over Expenditures	(26,148)	(58,906)	(4,481)	(89,535)
Other Financing Sources				
Operating transfers in	-	58,906	-	58,906
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures	(26,148)	-	(4,481)	(30,629)
Fund Balances - Beginning of year	608,473	-	81,984	690,457
Fund Balances - End of year	<u>\$ 582,325</u>	<u>\$ -</u>	<u>\$ 77,503</u>	<u>\$ 659,828</u>

Charter Township of Emmett

	Project #5			Fire Truck		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenue						
Special assessments	\$ 95,000	\$ 62,153	\$ (32,847)	\$ -	\$ -	\$ -
Interest earned	61,950	31,124	(30,826)	-	-	-
Total revenue	156,950	93,277	(63,673)	-	-	-
Expenditures						
Debt service principal	50,000	50,000	-	50,000	50,000	-
Interest	78,350	68,750	9,600	8,906	8,906	-
Other	-	675	(675)	-	-	-
Total expenditures	128,350	119,425	8,925	58,906	58,906	-
Excess (Deficiency) of Revenue Over Expenditures	28,600	(26,148)	(54,748)	(58,906)	(58,906)	-
Other Financing Sources						
Operating transfers in	-	-	-	58,906	58,906	-
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures	28,600	(26,148)	(54,748)	-	-	-
Fund Balances - Beginning of year	608,473	608,473	-	-	-	-
Fund Balances - End of year	<u>\$ 637,073</u>	<u>\$ 582,325</u>	<u>\$ (54,748)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service Funds
Combining Schedule of Revenue, Expenditures
and Changes in Fund Balances - Budget and Actual
Year Ended March 31, 2004

Bradford Water			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 20,000	\$ 24,926	\$ 4,926	\$ 115,000	\$ 87,079	\$ (27,921)
14,000	10,276	(3,724)	75,950	41,400	(34,550)
34,000	35,202	1,202	190,950	128,479	(62,471)
25,000	25,000	-	125,000	125,000	-
18,000	14,283	3,717	105,256	91,939	13,317
500	400	100	500	1,075	(575)
43,500	39,683	3,817	230,756	218,014	12,742
(9,500)	(4,481)	5,019	(39,806)	(89,535)	\$ (49,729)
-	-	-	58,906	58,906	-
(9,500)	(4,481)	5,019	19,100	(30,629)	(49,729)
81,984	81,984	-	690,457	690,457	-
\$ 72,484	\$ 77,503	\$ 5,019	\$ 709,557	\$ 659,828	\$ (49,729)

Charter Township of Emmett

Proprietary Fund Type
Water and Sewer Operations Fund
Schedule of Expenses
Year Ended March 31, 2004

Operating Expenses

Fees paid to City of Battle Creek	\$ 554,532
Salaries	23,427
Payroll taxes and fringes	6,971
Communications	583
Professional fees	16,990
Printing and publishing	-
Office supplies	242
Maintenance and repair	1,003
Utilities	6,334
Outside services	9,257
Fees paid	1,285
Insurance	8,274
Depreciation	<u>421,515</u>

Total operating expenses	<u><u>\$ 1,050,413</u></u>
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Charter Township of Emmett

Fiduciary Funds Combining Balance Sheet March 31, 2004

	<u>Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	<u>\$ 499</u>	<u>\$ 50,907</u>	<u>\$ 51,406</u>
Liabilities			
Accrued liabilities	\$ -	\$ 19,604	\$ 19,604
Due to other funds	499	12,500	12,999
Due to other governmental units	<u>-</u>	<u>18,803</u>	<u>18,803</u>
Total liabilities	<u>\$ 499</u>	<u>\$ 50,907</u>	<u>\$ 51,406</u>

Charter Township of Emmett

Sanitary Sewer Refunding Bond Issue Schedule of Bonded Indebtedness March 31, 2004

Date of Issue June 1, 1993

Amount of Issue \$ 1,720,000

Bonds payable on November 1 as follows:

Year	Rate	Interest	Principal	Total
2004	5.500	\$ 66,150	\$ 50,000	\$ 116,150
2005	5.500	63,400	50,000	113,400
2006	5.750	60,650	60,000	120,650
2007	5.750	57,200	60,000	117,200
2008	5.375	53,750	70,000	123,750
2009	5.375	49,988	75,000	124,988
2010	5.375	45,956	75,000	120,956
2011	5.375	41,925	80,000	121,925
2012	5.375	37,625	85,000	122,625
2013	5.375	33,056	90,000	123,056
2014	5.375	28,219	95,000	123,219
2015	5.375	23,112	100,000	123,112
2016	5.375	17,738	105,000	122,738
2017	5.375	12,094	110,000	122,094
2018	5.375	6,181	115,000	121,181
Total		<u>\$ 597,044</u>	<u>\$ 1,220,000</u>	<u>\$ 1,817,044</u>

Interest is payable at the rate indicated on May 1 and November 1.

Charter Township of Emmett

Special Assessment Bond Issue Schedule of Bonded Indebtedness March 31, 2004

Date of Issue September 1, 1995

Amount of Issue \$ 420,000

Bonds payable on August 1 as follows:

Year	Rate	Interest	Principal	Total
2004	5.250	\$ 12,857	\$ 30,000	\$ 42,857
2005	5.400	11,260	30,000	41,260
2006	5.550	9,618	30,000	39,618
2007	5.700	7,787	35,000	42,787
2008	5.800	5,775	35,000	40,775
2009	5.900	3,580	40,000	43,580
2010	6.000	1,200	40,000	41,200
Total		<u>\$ 52,077</u>	<u>\$ 240,000</u>	<u>\$ 292,077</u>

Interest is payable at the rate indicated on February 1 and August 1.

Charter Township of Emmett

Municipal Purchase Obligation Agreement Schedule of Bonded Indebtedness March 31, 2004

Date of Issue January 5, 1996

Amount of Issue \$500,000

Interest Rate - 5.84%

Bonds payable on March 31 as follows:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 5,840	\$ 50,000	\$ 55,840
2006	<u>2,920</u>	<u>50,000</u>	<u>52,920</u>
Total	<u>\$ 8,760</u>	<u>\$ 100,000</u>	<u>\$ 108,760</u>

Interest is payable at the rate indicated on March 31.

Charter Township of Emmett

Special Assessment Bond Issue Schedule of Bonded Indebtedness March 31, 2004

Date of Issue July 1, 2000

Amount of Issue \$ 3,265,000

Bonds payable on May 1 as follows:

Year	Rate	Interest	Principal	Total
2004	6.750	\$ 164,013	\$ 150,000	\$ 314,013
2005	6.750	153,888	150,000	303,888
2006	6.750	143,763	150,000	293,763
2007	6.750	133,638	150,000	283,638
2008	6.750	123,513	150,000	273,513
2009	6.750	113,388	150,000	263,388
2010	6.750	103,263	150,000	253,263
2011	5.300	94,225	150,000	244,225
2012	4.750	86,094	175,000	261,094
2013	4.750	77,782	175,000	252,782
2014	4.750	69,469	175,000	244,469
2015	4.750	61,156	175,000	236,156
2016	4.750	52,250	200,000	252,250
2017	4.750	42,750	200,000	242,750
2018	4.750	33,250	200,000	233,250
2019	4.750	23,750	200,000	223,750
2020	4.750	14,250	200,000	214,250
2021	4.750	4,750	200,000	204,750
Total		<u>\$ 1,495,192</u>	<u>\$ 3,100,000</u>	<u>\$ 4,595,192</u>

Charter Township of Emmett

Schedule of State Equalized Value and Millage March 31, 2004

Year	State Equalized Value*	Millage (Mills)				Capital Outlay
		Township Operational	Public Safety	Public Safety II	Street Lights	
1982	\$ 87,826,896	.89775	.89775	-	1.35	-
1983	84,857,330	1.00	1.00	-	1.35	-
1984	85,242,575	.9965	.9965	-	1.40	-
1985	84,434,253	1.00	1.00	-	1.41	-
1986	86,773,951	1.00	1.00	-	1.43	-
1987	88,762,195	1.00	1.00	-	1.32	-
1988	95,434,510	.9821	.9821	-	1.175	3.00
1989	106,318,464	.9459	.9459	-	1.115	-
1990	109,124,317	.9857	1.00	-	1.084	-
1991	125,492,974	.9304	.9439	-	.980	-
1992	129,634,329	.9301	.9435	-	.941	-
1993	141,504,344	.9056	.9187	-	.975	-
1994	153,284,363	.8925	.9054	-	.925	-
1995	160,373,651	.8925	.9054	-	.9241	.4945
1996	170,430,433	.8905	.9034	-	.8616	.4945
1997	182,098,353	.8836	.8964	-	.7834	.4945
1998	191,325,950	.8826	.8954	-	.7834	.4945
1999	197,786,518	.8766	.8893	1.0473	.9053	.4911
2000	214,587,543	.8694	.8820	1.4134	.8197	.4871
2001	237,198,365	.8600	.8724	1.7668	.7941	.4818
2002	267,173,521	.8515	.8638	1.699	.7141	.4770
2003	277,074,051	.8473	.8595	1.691	.6734	.4746

Note: The street light millage is applicable only for properties within 300 feet of a street light, thus 100% of the state equalized value does not apply to street lights. The Public Safety II millage is applicable only for real property, therefore 100% of the state equalized value does not apply to the Public Safety II millage.

April 29, 2004

Township Board
Charter Township of Emmett
620 Cliff Street
Battle Creek, MI 49014

Ladies and Gentleman:

We would like to take this opportunity to thank you and your staff for the assistance we received during the audit for the year ended March 31, 2004. We would like to offer the following significant issues for your consideration.

Common Cash Bank Reconciliations

During our audit, we noted a few months when common cash bank reconciliations were not completely reconciled, due to a change in bank accounts. While we understand the difficulty in changing financial institutions, we encourage the Township to continue to place a high priority on timely and accurate completion of bank reconciliations. The accurate and timely preparation of bank reconciliations is vital to maintaining effective internal controls over cash, including knowledge of cash balances at any given time.

Investment Policy

During our audit, we discussed with Township administration the need to have an updated investment policy that complies with Act 20 PA 1943, as amended. We have provided the Township with a sample investment policy. We recommend to the Township that a new investment policy be drafted and approved by the Board to comply with Act 20 PA 1943.

GASB 34 – New Reporting Model – Reminder

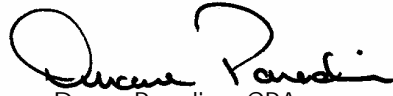
As you are aware, the Governmental Accounting Standards Board issued a new pronouncement that will change the presentation of governmental financial statements. The expected benefits of the new model include improved comparability of financial statements between communities, and a better matching of the current year's revenue sources to the full cost of services provided during that year. The major change for the Township will be the addition of a "Management's Discussion and Analysis" section, addition of tracking infrastructure, and some changes in terminology. The Township will be required to prepare the "Management's Discussion and Analysis" section, and Plante & Moran would be available for assistance in this process if needed. The Township will also need to begin the process of recording all of the fixed equipment and buildings owned by the Township. We recommend the Township develop and approve a capitalization policy to assist in determining at what level items should be capitalized.

The Township will be required to implement GASB 34 for the year ending March 31, 2005.

We would like to take this opportunity to thank you again for the honor of serving the Charter Township of Emmett as its independent certified public accountants.

Very truly yours,

PLANTE & MORAN, PLLC



Duane Paradine, CPA
Partner



Kim Hoppe, CPA
Associate